

## **I n s t r u c t i o n s**

### **Instructions for the implementation of procedures of tax and customs benefits arising during the execution of the US Government assistance programs in the scope of the "Agreement Between the Government of the United States of America and the Government of the Republic of Georgia Regarding Cooperation to Facilitate Humanitarian and Technical Economic Assistance", dated July 31, 1992 and the "Status of Forces Agreement", dated December 10, 2002**

#### **Article 1. General Provisions**

The present Instructions have been adopted on the basis of the Presidential Decree "regarding measures for the execution of undertaken obligations under the "Agreement Between the Government of the United States of America and the Government of the Republic of Georgia Regarding Cooperation to Facilitate Humanitarian and Technical Economic Assistance", dated July 31, 1992, the "Status of Forces Agreement" of December 10, 2002" No 144 dated April 23, 2004, "Agreement Between the Government of the United States of America and the Government of the Republic of Georgia Regarding Cooperation to Facilitate Humanitarian and Technical Economic Assistance" (Bilateral Agreement), dated July 31, 1992, the "Status of Forces Agreement", dated December 10, 2002 (collectively referred to as the "International Agreements") and Articles 4 Section 8 and Article 227 of the Tax Code of Georgia and set forth the rules for enforcement of the Tax and Customs benefits under International Agreements.

#### **Article 2. Information on Assistance Projects**

1. Within 15 business days of receipt of the list or lists from the USG on a semiannual basis (before July 1 and December 31) or any interim updates submitted to the Ministry prior to the submittal of a full, updated list or lists, the Ministry will issue each implementer on the USG list or on the interim list an official letter stating that, within the assistance programs, any purchase of goods (commodities, supplies, equipment), works or services are free of taxes (including VAT), customs duties, including, but not limited to fees and charges on the basis of the International Agreements. The letter will state the name of the implementer, the name of the project or program and the beginning and end dates of the project or program.
2. Monetization of goods (sale or exchange of goods imported under the Bilateral Agreement) for implementation of assistance programs under the Bilateral Agreement is exempt from taxes, including VAT and customs duties (including, but not limited to fees and charges). The Ministry of Finance will officially notify, by letter the implementer that the monetization is an USG assistance program under the Bilateral Agreement and that, based on the Bilateral Agreement is exempt from taxes including VAT and customs duties (including but not limited to fees and charges).

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3. The Ministry of Finance and the Tax Authorities will not request additional information or funding instruments from the implementers without first discussing its intended request with the US Embassy or USG donor agency responsible for the assistance.

#### Article 3. Customs Duties (including, but not limited to Fees and Charges)

1. The import and export of goods (commodities, foodstuff, medical supplies, equipment, supplies and other goods) in connection with assistance programs under the International Agreements, based on the Bilateral Agreement are exempt from customs duties (including but not limited to fees and charges). Goods or commodities for monetization programs within the scope of the Bilateral Agreement, based on this Agreement are also exempt from customs duties (including but not limited to fees and charges).

2. At least 10 business days prior to importing goods (commodities, foodstuff, medical supplies, equipment, supplies and other goods) or goods or commodities for monetization programs, the implementer shall submit to the Ministry of Finance and US Government donor agency the following information:

- a. Name and address of the implementer.
- b. Brief description of the assistance project under which the items are being imported.
- c. Volume, value, and list of items imported.
- d. Copy of accompanying documents of the cargo such as invoices, bills of lading and airway transportation documents.

3. In addition to the information submitted under Paragraph 2 above, for goods imported for humanitarian assistance, the distribution plan of the goods for humanitarian assistance must be submitted to the Ministry of finance. If the implementer is importing goods for its own use in connection with the assistance program, the distribution plan shall indicate that the goods will be used for the implementer's own purposes in connection with or to implement the assistance program.

4. Any imported or exported goods (foodstuff, supplies, equipment, household goods or other items) which are for the personal use of the personnel, other than Georgian citizens, of the US Government or the implementing organizations, based on the International Agreements are free from customs duties (including but not limited to fees and charges).

5. Within 10 business days of receipt of the information set forth in Paragraph 2 above and in the case of goods for humanitarian assistance, in Paragraphs 2 and 3, the Ministry of Finance shall officially notify in writing the implementer, approving or disapproving the import under the assistance program. If the Ministry fails to act within the 10-day period, an approval will be deemed to have been issued and the items may be imported free from customs duties (including but not limited to fees and charges). In the case of a disapproval, the Ministry shall notify in writing the implementer, Customs Department and the US Government donor agency responsible for the assistance program. The notice will provide the reason(s) for the disapproval.

6. For additional information regarding the submitted documentation or the implementer, the Ministry of Finance, Customs Authorities shall contact the US Embassy or US Government donor agency responsible for the assistance program.

7. All foreign language documents submitted to the Ministry Finance shall be accompanied by a Georgian translation and the accuracy of the translation shall be certified by the implementer.

#### Article 4. Value Added Tax (VAT)

1. Within the scope of the International Agreements, a zero rated VAT is imposed on goods (commodities, supplies, equipment, and other goods), works and services rendered in connection with the assistance program to the legal entities implementing the assistance programs on behalf of the US Government, on the basis of the International Agreements as they are free from taxes, including the VAT (they shall not include VAT).

2. When an implementer purchases goods (commodities, supplies, equipment or other goods), works or services, within the assistance program, the implementer will present the letter obtained from the Ministry under Article 2 Paragraph 1 to the vender, supplier, or service provider. The vendor, supplier or service provider will complete the Tax Invoice for the purchase of the goods, works or services. On the basis of the International Agreements and within the assistance programs, prices on the goods, works or services must be quoted free of VAT. In the section on the Tax Invoice indicating VAT, zero (0) will be entered. The form shall be completed according to the law and two copies will be given to the implementer of assistance program.

3. The implementer who under the assistance program purchases goods (commodities, supplies, equipment or other goods), works and services taxed at a zero-rate of VAT, will retain one copy of the Tax Invoice for its accounting purposes. The implementer will submit another copy of the Tax Invoice received from the vendor, supplier, or service provider according to the law to relevant tax authority. A photocopy will also be submitted to the Tax Department before the 20<sup>th</sup> day of the following month.

4. For monetization programs, the sale or exchange of goods are exempted from VAT on the basis of Bilateral Agreement. The sale or exchange of goods by the

implementer will be accompanied by the letter obtained from the Ministry under Article 2 Paragraph 2.

#### Article 5. Other Taxes

1. Any US Government agency located in Georgia, or any private US organization which is responsible for implementing an assistance project under the International Agreements within the assistance program(s) is exempt from any income, profit, social security, property, land, usage of road, excise, property transfer and any other taxes, including General State taxes related to rent, accomodation or transportation.

2. Any US private organization which is implementing an assistance project under the International Agreements, or any personnel of such private organizations who are not nationals of Georgia and who were sent to Georgia within the assistance program(s) under the International Agreements, on the basis of the International Agreements are exempt from any income tax from Georgian sources, profit, social security, property, land, usage of road and any other taxes, including General State taxes related to rent, accomodation or transportation.